

## Czech Higher Education Still at the Crossroads

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## Czech Higher Education Still at the Crossroads\*

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**Abstract:** The paper addresses the development of higher education in the Czech Republic after 1989, with special emphasis on the relevant legislation, institutional settings, financing and enrolment. Czech higher education has changed profoundly since 1989. Universities were granted almost full autonomy as early as in 1990. They have reformed their curricula, expanded programmes in the humanities and social sciences, and eliminated political criteria from admissions policies, both for faculty and students. However, the structural changes were not as quick and profound as obtaining and mastering the freedom was. The most significant *structural* changes in the Czech tertiary educational system addressed in the paper are *decentralisation* and *diversification*. With regard to financing, the authors argue that universities have remained dependent on the state to a high degree. Several attempts to expand multi-source financing by introducing cost-sharing features (tuition fees, loans, student allowances) failed. The reliance on the public budget led to a severe financial crisis in public universities. As far as the enrolment is concerned, the authors demonstrate that, although the number of students rose by almost 60% between 1989 and 2001, the offer of educational opportunities was too low to meet the steeply rising demand for tertiary education. The chance of being admitted hovered around 50%. Owing to the combined effect of a drop in the size of the relevant age cohort and the growing proportion of students admitted to bachelor programmes, the chance of enrolment started to increase in 2001. In spite of this recent change, the transition from secondary to tertiary education still remains the most critical moment in an educational career.

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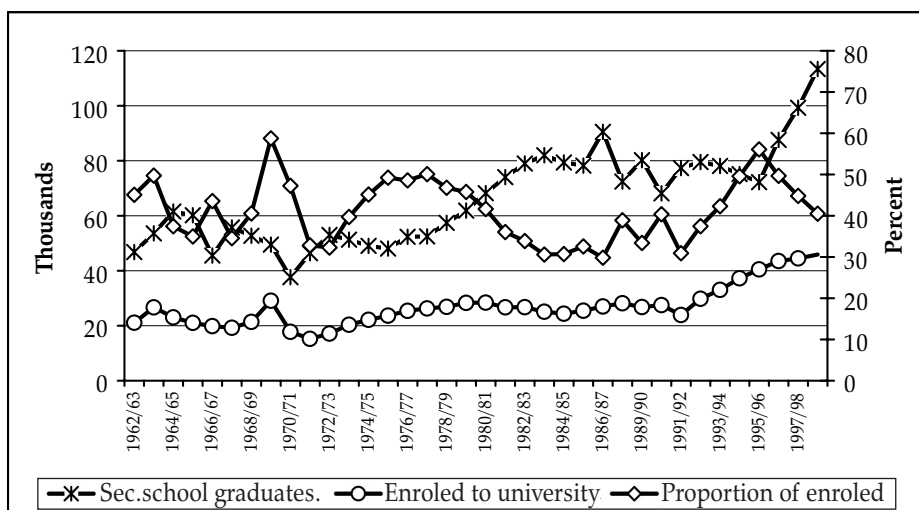
Reforms to the system of higher education in East-Central Europe display both common and unique features, with the commonality derived mostly from the similarity of tasks faced by the post-communist countries at the beginning of their transformation. One of these was the need to reform the 'soviet' or 'communist' model of higher education and research. However, it has only now become obvious that transforming the communist-type system of higher education into a modern one – well integrated into the democratic society and knowledge-based market economy – is a task far more difficult and demanding than was expected by educational policy makers, international experts and observers at the beginning of the post-communist transformation [Čerych 2002, Rupnik 1992].

The high level of resistance to changes exhibited by the system, its structure and the self-interests of its major agents (rectors, university senates, faculty, staff, and even students) was combined with the gradual descent of higher education down the list of priorities of both governments and politicians. After more than ten years of transformation in East-Central Europe, it became evident that the issues related to the development of human resources (higher education, research, innovations, technological development etc.) had relatively low political and voting potential and, as a result, failed to make it to the top of governmental policies and political party agendas, even though they are of extreme importance for the future competitiveness and economic growth of post-communist countries.

This does not mean to say that no significant changes in higher education, its structure, governance, autonomy, openness, financing and – above all – its spirit have been implemented. To understand the difficulties of transformation of higher education systems in post-communist countries, one must take into account the key features of the 'soviet' or 'communist' higher education system inherited from the previous 'regime':

- higher education was heavily centralised within the central planning system – like any other area of economic and social reproduction. Its vital link to the labour market was set by the Central Committee of the Communist Party; consequently, both the overall number of students and their allocation to major fields of study and programmes were decided centrally;
- bureaucratic control over the entire system – balancing the quantity of graduates with the number of offered jobs, displaced job competition and, as a consequence, educational credentials (diplomas, certificates) which became more important in job allocation than actual knowledge, skills and competencies;
- enormous emphasis on technological (engineering) education narrowed the offer of educational opportunities in the humanities and social sciences; with emphasis on fixed rather than dynamic skills and flexibility;
- curriculum guidelines, research goals and teaching position requirements (including political criteria) were defined and closely monitored by the Communist Party and its state apparatus; the lack of academic freedom and autonomy seriously undermined the capacity of higher education and research to supply the economy with research results applicable in technological development and innovations;

**Figure 1. Secondary school graduates, enrolled to university, and the proportion of enrolled between 1962 and 1999 in the Czech Republic. Both graduates and enrolled include part-time students.**



Sources: *Vývojová ročenka školství v České republice 1989/90–1998/99* [Yearbook of Education Development in the Czech Republic 1989/90–1998/99]. 1999. Prague: Institute for Information in Education. *Statistiky školství z let 1962 až 1989* [Education Statistics from the Years 1962 to 1989]. Prague: Ústav školských informací [Institute of Information on Education]. *Historická ročenka školství v České republice 1953/54–1997/98* [Historical Yearbook of Education in the Czech Republic 1953/54–1997/98]. 1998. Prague: Institute for Information in Education.

- a ‘unitary’ system of traditional university education (predominance of long engineering or master’s degree programmes), the absence of short bachelor’s degree programmes; the system did not recognise college or similar types of higher education institutions;
- decisions about the number of admitted students and enrolment procedures were based on central guidelines; for a long time (until the mid-1960s)<sup>1</sup> there were quotas set by the Communist Party Central Committee for controlling the proportion of students from various social backgrounds (the goal was to ensure an ‘appropriate’ proportion of students with a class background corresponding to the social class share within the population);

<sup>1</sup> A similar principle (based on the so-called preferential points for social background and political activity) was applied even after the quota system was officially abolished, particularly during the ‘normalisation period’ after 1969.

- higher education and academic research were artificially separated, so-called basic research was carried out in the research institutes of the Academy of Sciences, while universities were deprived of research funding and participation in research projects;
- the financing of universities was totally dependent on the government, taking the form of ‘incremental budgeting’, i.e. the annual budget of each university was equal to that of the previous year (budgetary base) plus a certain increment (very much dependent on their success in negotiations and on available resources).<sup>2</sup>

The stagnation of the socialist university system, and its failure to respond to educational aspirations and to the actual demand for tertiary education, are well demonstrated in Figure 1, which shows the numbers of secondary school graduates and enrolled university students, and also the ratio of enrolled university students to secondary school graduates between 1962 and 2001. The data clearly confirm the policy of keeping the number of university students very low up until the collapse of the communist regime in 1989, with the only exception being the academic year of 1968/69, when – as a result of the Prague Spring – the control of the Communist Party over the university system was less rigid, but tightened again after the Russian invasion in 1968. The chances of making the transition to tertiary education (defined as the ratio of enrolled students to high school graduates) were reduced in the 1980s when the number of high school graduates began to grow. In spite of the sharply increasing number of enrolled university students after the collapse of the communist regime in November 1989, the capacity of the university system – still trapped in its traditional ‘unitary’ and ‘elitist’ structure – was unable to cope with the quickly growing demand for tertiary education. Therefore, the relative chance of making the transition dropped again to its average pre-1989 level.<sup>3</sup>

### **First stage of the reform: towards academic freedom**

Starting in 1989, the transition to democracy and a market economy brought about significant changes within the society, and also in the higher education system. The Higher Education Act of 1990 created room for a return to democratic control of higher education. It eliminated political control over university activities and decision-making processes and reduced significantly the government role, thus creating much larger room for the academic bodies. The Act restored university senates as

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<sup>2</sup> This procedure and other aspects of change in financing higher education in the Czech Republic are documented in Holda, Čermáková, Urbánek, 1994.

<sup>3</sup> The immense growth of the number of high school graduates after 1995, well illustrated by the figure, can be explained, among other things, by the creation of room for so-called ‘long-gymnasiums’, established in 1990, which were academically oriented high schools with a programme lasting six, seven, or eight years, picking up students before they finished elementary school lasting nine years (a standard gymnasium has only four years and students are recruited only from those leaving ninth grade).

**Table 1. Number of students at different levels of tertiary education in the Czech Republic 1992–2002**

Academic year	All students	All undergraduate students	Proportion of students in bachelor programmes <sup>1</sup>	Proportion of postgraduate students <sup>2</sup>
1992/1993	117,637	114,185	11.0	2.9
1993/1994	127,137	122,456	12.8	3.7
1994/1995	136,566	129,453	21.7	5.2
1995/1996	148,433	139,774	24.9	5.8
1996/1997	166,135	155,868	23.5	6.2
1997/1998	173,826	162,373	24.3	6.3
1998/1999	193,036	179,089	18.1	7.2
1999/2000	196,195	181,601	18.4	7.4
2000/2001	199,825	184,000	18.6	7.9
2001/2002	211,545	194,312	20.6	8.2

1. Proportion of students in bachelor's programmes from all undergraduate students

2. Proportion of postgraduate students from all students

Source: Ministry of Education, Youth and Sport.

representatives of faculty, students and staff, granting them a high level of control over the curriculum, hiring practices and research goals. The Act also provided universities with the freedom to make their own financial decisions. The Ministry of Education allocates funds to universities, which in turn are responsible for their distribution and spending. The fiscal freedom framework also implies that the government allocates the funding without stipulating the number of students the universities should educate [for details see Holda, et al., 1994].

Though this Act opened the way to the modernisation of Czech higher education, many of the structural problems remained unresolved. First of all, the system did not change its 'unitary' character; unlike most of the advanced countries, where bachelor's programmes were established primarily in order to open the tertiary system to the sharply increasing numbers of applicants and to meet the changing demands for more practical skills, the number of students enrolled in these types of programmes in the Czech Republic grew very slowly (see Table 1). A faster transition to a binary (or two-tier) system, as the key prerequisite for a significant growth of opportunities in tertiary education in the Czech Republic, would have required stronger legislative support for establishing the non-university sector within tertiary education. The Act of 1990 did not go that far.

The Act of 1990 did not introduce any standardised, compulsory component into entrance examinations. While universities had full autonomy in drafting their

entrance examinations and tests, the matriculation examinations at the end of secondary education remained incommensurable both in structure and results. Under the conditions of a significant surplus demand, the absence of nationally administered tests at the end of secondary education, or upon entry into the tertiary level, undermines the transparency of the admissions process and opens up considerable space for more or less subtle forms of corruption.

The Act also failed to create a legislative framework for private universities or colleges. Though there were no legislative obstacles to establishing private colleges, the Act did not provide for their eligibility to apply for the 'state accreditation', which allows, among other things, the issuance of degrees recognised by the Ministry of Education. This Act also made no major progress in resolving the institutional separation of teaching and research. Though universities were authorised to provide post-graduate training, most of the state-funded research remained concentrated at the Academy of Sciences, and that is why the number of post-graduate students grew so slowly after 1990 (see Table 1).

One positive, though at that time rather controversial, decision was that of enabling regional decentralisation by establishing 'regional universities'. The proportion of students in traditional university centres (Prague, Brno, Olomouc, Ostrava) began to drop as regional educational centres increased their enrolments in more practically oriented programmes.

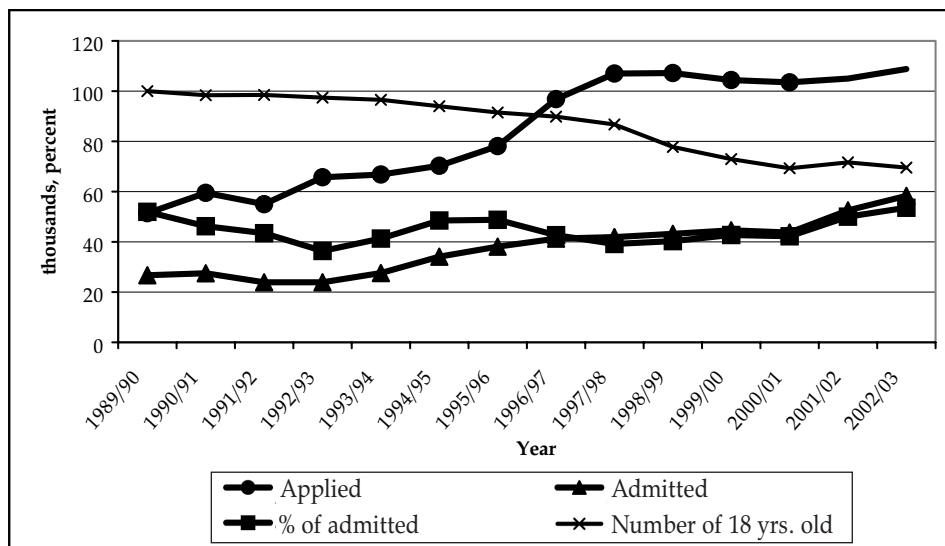
As for the overall impact of the Higher Education Act of 1990 on the development of higher education in the Czech Republic, assessments should be rather cautious, in particular with respect to its impact on the financing and accessibility of higher education. One may agree that, "The importance of the law ... cannot be overstated. It put substantial decision-making power back into hands of the university and its faculty and students. The law emphasized academic rights and freedoms as important principles of democracy, and envisioned democracy in terms of self-government and autonomous decision making within the higher education community" [McMullen and Prucha 2000: 63]. There is, however, an equally justified objection that the almost complete self-government granted to universities in advance of a much deeper and more consistent reform of the system made future reforms more difficult if not impossible. The subsequent development justified this concern. The Czech Republic was not the only country where "the autonomy granted to universities was used – or perceived to be used – to block reform" [Scott 2002:146].

The first signals that consistent and often painful reforms may not receive sufficient support appeared in 1994. At that time, universities were facing serious austerity, the number of applications grew much faster than the ability of schools to meet the rising demand (Figure 2), while supplementary financial resources were either outlawed (tuition fees) or not sufficiently explored and used (commercialisation of research). It became clear that the future growth of higher education would not be possible without a substantial reform of its financing.

For this reason, in 1994, a group of economists and policy-makers drafted a proposal for a substantive reform of university financing designed to implement a system similar to the Australian Higher Education Contribution Scheme (HESC).



**Figure 2. Number of applicants for tertiary education, admitted students, and ratio of admitted to applied after 1989 in the Czech Republic**



Source: *Institute for Information in Education.*

In spite of being initially commissioned by the Committee for Education and Science of the Czech Parliament, this proposal never reached the form of a Bill submitted to Parliament for debate. This was due mainly to the strong lobbying of university rectors and senates against the idea, which – as they claimed – would enable the disengagement of the state from financing higher education, and burden students and their families with steadily growing tuition fees. The university administration was also uneasy about the idea of tuition fees collected by the state and then redistributed back to universities as part of the state subsidy. Economic incentives brought about by this system were not seen as compensating for the pressure towards higher accountability and responsibility tuition fees would certainly introduce.

### **Second stage: more autonomy and persistent barriers to multi-source financing**

The new Higher Education Act, passed by the Czech Parliament in April 1998, went even further in strengthening the (formal) autonomy of universities, without giving them larger fiscal autonomy and opening new (particularly private) sources of financing them. Although universities became ‘public legal entities’ with extensive property rights, serious restrictions were imposed on the use of this property in generating revenues, especially through participation of universities in private ventures



**Table 2. Number of institutions and students in higher education in Central and Eastern Europe in academic year 2000/01**

Country	Institutions				Students			
	Public		Private		Public		Private	
	Number	%	Number	%	Number	%	Number	%
<b>Albania</b>	11	100.0	0	0.0	23,704	100		0.0
<b>Belarus</b>	42	73.7	15	26.3	241,100	87	35,900	13.0
<b>Bulgaria</b>	79	89.7	9	10.3	215,676	88.5	27,916	11.5
<b>Croatia</b>	17	65.4	9	34.6	117,205	98.6	1,646	1.4
<b>Czech Rep.</b>	28	66.7	14	33.3	213,207	99.0	2,000	1.0
<b>Estonia</b>	14	40.0	21	60.0	38,511	74.8	12,963	25.2
<b>Hungary</b>	30	48.4	32	51.6	255,943	85.7	42,561	14.3
<b>Latvia</b>	20	60.6	13	39.4	78,156	87.3	11,353	12.7
<b>Lithuania</b>	38	90.4	4	9.6	...	...	...	...
<b>Macedonia</b>	2	66.7	1	33.3	39,978	97.7	923	2.3
<b>Moldova</b>	57	50.0	57	50.0	79,713	77.4	23,210	22.6
<b>Poland</b>	115	37.1	195	62.9	1,106,798	70.1	471,443	29.9
<b>Romania</b>	57	40.7	83	59.3	322,129	71.1	130,492	28.9
<b>Russian Fed.</b>	607	62.9	358	37.1	4,270,800	90.0	470,600	10.0
<b>Slovakia</b>	18	90.0	2	10.0	125,054	99.3	842	0.7
<b>Slovenia</b>	2	18.1	9	81.9	64,989	95.7	2,900	4.3
<b>Ukraine</b>	816	83.3	163	16.4	...	...	...	...

Source: UNESCO-CEPES.

the Act of 1998 in fact suddenly blocked universities from establishing spin-off companies, though some of them had done so. This – along with the legal obstacles to collecting regular tuition fees from full-time students enrolled in accredited programmes – made it difficult to change multi-source financing from only a catchword to real practice.<sup>4</sup> Even though universities were allowed by the state to earn money through various activities (conferences, consulting, publishing, research, book-stores, exams, licensing agreements, etc.) and to keep the additional income, ex-

<sup>4</sup> The Higher Education Act of 1998 permits the charging of regular tuitions fees only to participants in so-called life-long education programmes. However, these programmes are strictly separated from the accredited programmes (i.e. taking courses in these programmes does not lead to a bachelor's or master's degree) and the participants cannot obtain the status of students, with all the related responsibilities and benefits. Another kind of fees universities may charge are in fact penalties for staying longer than the 'standard length of the programme'. Curiously enough, universities were reluctant to charge these fees, with the anticipated effect of more rapid growth in the number of students remaining in schools than the number of newly enrolled applicants.

empt from taxation, in their own institutional accounts [see e.g. McMullen and Prucha, 2000: 64], the two principal sources of multi-source financing, specifically tuition fees and profits from spin-off companies, remained essentially untapped. In other words, Czech universities received more formal autonomy and even extensive property rights, but their financial dependence on the state remained unchanged.

A markedly pro-reform oriented provision of the 1998 Act – the legal recognition of ‘non-university institutions of higher education’ (colleges), building their profile primarily (though not exclusively) on bachelor’s programmes – made room for a non-university segment of tertiary education. Nonetheless, this provision did not bring any significant changes to the structure of Czech tertiary education. Though the demand for bachelor’s programmes was steadily increasing and the transition of the tertiary system of education from a ‘unitary’ to a ‘binary’ model was recommended to all European countries by the Bologna declaration, not a single *public* ‘non-university institution of higher education’ has been established as yet.<sup>5</sup> Quite the contrary – the number of students in bachelor’s programmes at the existing universities dropped after 1997, with no clear tendency towards steady growth (see Table 1). It turns out that the resistance in the Czech Republic of public universities and the state administration to structural changes that would open the way to the expansion of higher education is immense.

Nevertheless, the non-university sector of tertiary education has gradually been filled by private colleges, as the 1998 Higher Education Act made their state accreditation possible. Although private colleges or universities receive no financial subsidy from the state (though the Act does not explicitly prevent this), as of the academic year 2000/01, fourteen private colleges were established with more than two thousand students, and slowly filled the gap in the ‘non-university’ sector of tertiary education. Though this was by all means a significant step towards the further liberalisation and diversification of higher education, the Czech Republic is still lagging behind other Central and East European Countries with respect to the size of the private sector in higher education, particularly in comparison with Poland, Hungary, Estonia and Latvia, where the share of students in private colleges or universities is much higher (see Table 2 for a comparison of countries in Central and Eastern Europe).

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<sup>5</sup> The Bologna Declaration, signed in 1999 by the authorities responsible for higher education in twenty-nine European countries, setting as its main long-term goal the promotion of the creation of European Higher Education, put forward the following objectives: the adoption of a system of easily readable and comparable degrees; the adoption of a system based essentially on two main cycles, undergraduate and graduate; the establishment of a system of credits; the promotion of mobility by overcoming the obstacles to effective free movement; the promotion of European co-operation in quality assurance; and the promotion of the necessary European dimensions in higher education.

### **Third stage: the financial crisis inhibits growth and fundamental reforms remain blocked**

Both domestic and international statistical data show a lasting and deepening financial crisis in public tertiary education in the Czech Republic, which, in turn, inhibits the growth of educational opportunities that could help to fill the gap in the number of adults with tertiary education in the Czech Republic and improve the chances of continuing studies after graduation from the secondary level.

After 1994, when the new mechanisms of tertiary education financing were implemented, the number of students at public universities grew steadily (from 132 thousand in 1994 to 211 thousand in 2001 – see Table 3 and Figure 3). An increase in the number of students by about 60% was followed by similar growth in the state subsidy, from 7.122 billion in 1994 to 11.9 billion in 2001 (68% increase). However, inflation in this period grew at a similar pace (the cumulative inflation rate between 1994 and 2001 was 68%). As shown in Figure 3, the state subsidy per student in real terms dropped from CZK 54 000 in 1994 to CZK 34 000 in 2001. These figures clearly indicate that the performance of Czech universities grew both in economic terms (real input/output ratio) and teaching efficiency (student/teacher ratio).

The high budgetary deficit of the system of higher education in the Czech Republic is also confirmed in international comparisons. According to *Education at a Glance* (2002), the OECD countries invest in their tertiary educational systems an average of 1.6% of GDP from both public and private sources. In the Czech Republic, this figure is as low as 0.9% (or 0.7% when only the public sources are considered). The same yearbook points to a very low share of educational expenditures out of the total public expenditures. While the Czech Republic invests approximately 1.9% of the total public expenditures, in the OECD countries the figure is on average 2.8%. It should be noted that in this the Czech Republic lags behind some other post-communist countries (Hungary 2.6%). As for the average expenditure per student in the tertiary sector of education, in the Czech Republic it amounts to USD/PPP 5 700 (USD converted into the parity of the purchasing power). This is the fourth worst position among the OECD countries (the OECD average is USD/PPP 9 000, the United States 19 000, Sweden 14 000, Australia and Austria 11 500, United Kingdom, Denmark and Ireland 10 000).

Though there is no doubt that public funds remain the main source of financing for public universities almost everywhere, the share of private sources in funding public, tertiary educational institutions is increasing worldwide. The Czech Republic is also lagging behind in this respect, since the share of private funding is far below the average level in advanced countries. The share of private funding in university budgets in the Czech Republic is approximately 14% of the total budget, the OECD average is almost 21% (in countries with tuition fees it reaches 30% to 60%).

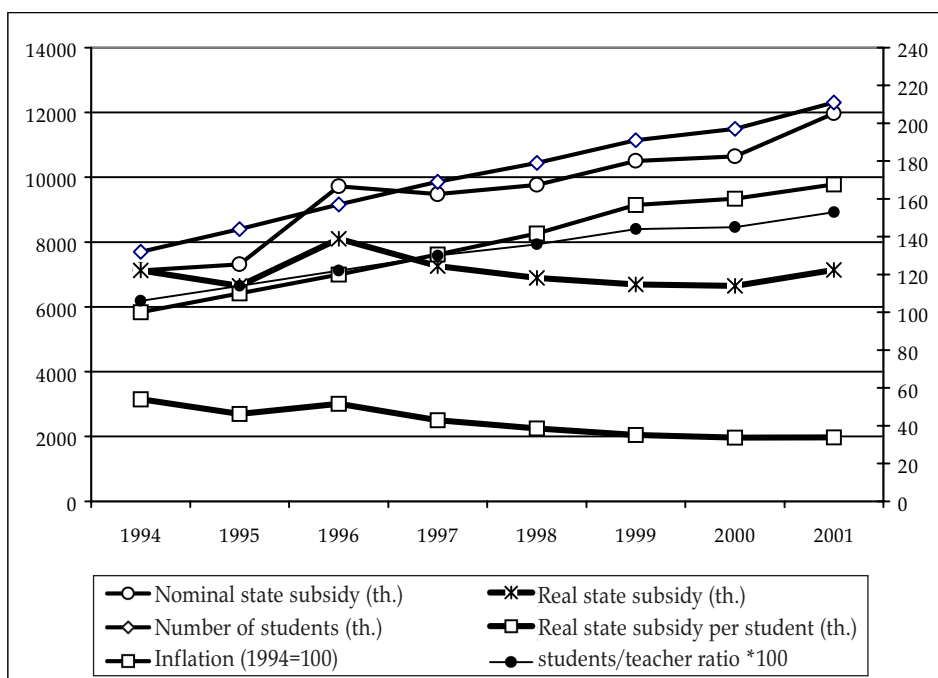
Though universities (in the Czech Republic) were formally freed to also draw money from alternative resources (except regular tuition fees and investments in private ventures), the state budget has remained the dominant source. Even the

**Table 3. Basic indicators of financing public tertiary education in the Czech Republic 1994–2001**

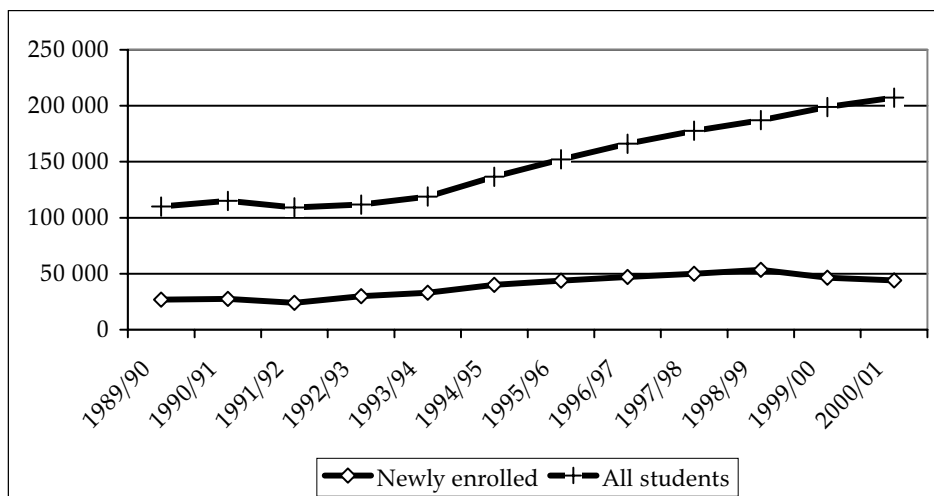
Year	Number of students (thousands)	Nominal state subsidy (thousands CZK)	Cumulative inflation (%)	Real state subsidy per student (thousands CZK)	Number of students per teacher
1994	132	7122	100	54	10.6
1995	144	7315	110	46	11.4
1996	157	9721	120	52	12.2
1997	169	9477	131	43	13.0
1998	179	9765	142	39	13.6
1999	191	10500	157	35	14.4
2000	197	10642	160	34	14.5
2001	211	11970	168	34	15.3

Source: Ministry of Education, Youth and Sport.

**Figure 3. Basic indicators of financing higher education in the Czech Republic 1994–2001**



Source: Ministry of Education, Youth and Sport.

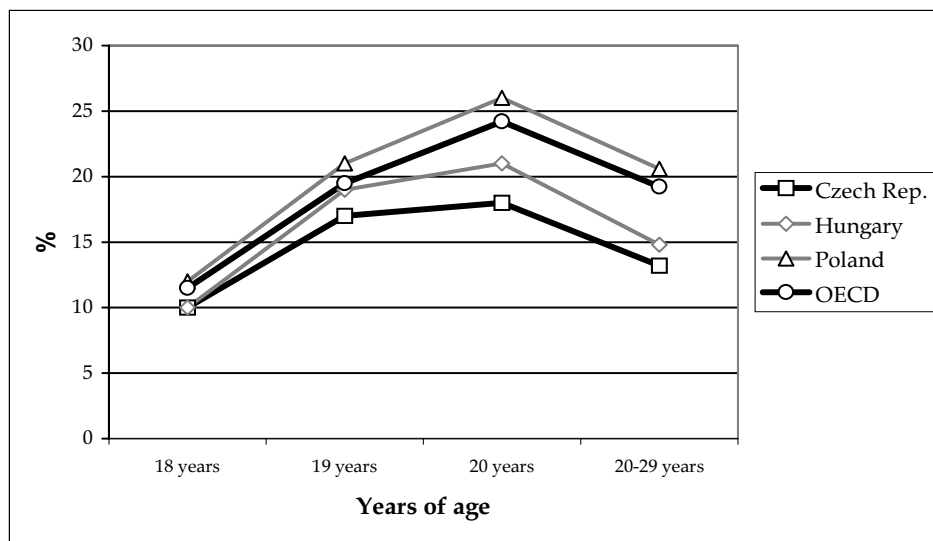
**Figure 4. Number of newly enrolled and total number of students at public higher education institutions**

Source: Ministry of Education, Youth and Sport.

tightening budgets and rapidly growing austerity had no significant effect on the reluctance of public universities to adopt a two-tier (binary) system which would allow the admission of a higher number of students in short programmes. In fact, the opposite trend occurred: after 1998, when the new Higher Education Act made room for the 'non-university' institutions of tertiary education, with the primary goal of expanding the opportunities in bachelor-study programmes, the proportion of students in these programmes decreased, and in spite of a slight recovery it still remains below the level of the 1997/98 academic year (Table 1, column 4).

The increasing austerity did not have a significant impact on the tendency of students to prolong their studies far beyond the limits set by the 'standard length of study' for each study programme. Data presented in Figure 4 confirm that the current system of financing public tertiary education does not contain sufficient incentives for students to complete their studies within the specified period of time, thus blocking a large number of 'seats' that could otherwise be offered to new entrants.

Lasting financial and structural obstacles, limiting the growth of the number of educational opportunities at the tertiary level, explain why the Czech Republic remains very close to the bottom among the OECD countries with respect to both the number of adults with tertiary education and the number of young people of relevant age who can continue their studies after graduation from a secondary school. Figure 5 clearly illustrates this by comparing the Czech Republic with the OECD average and with Hungary and Poland.

**Figure 5. Proportion of students in tertiary education in relevant age groups (1999)**

Source: *Education at a Glance*, OECD.

It must not be forgotten that the steeply rising aspirations for higher education originated, alongside other sources, in the profound change in the economic returns to higher education in post-communist countries, particularly in the Czech Republic. Jiří Večerník [2001] reached the conclusion that the effect of education on personal income doubled between 1988 and 1996. While in 1988 each year of education brought 'a premium' of a 4% salary increase, in 1996 it reached 8%. This progress was achieved in spite of the income stagnation in branches with a high proportion of employees with university education – health care, education, science and research etc. If we eliminate this factor, the wage returns of one year of education increased from 4% in 1989 to 11% in 1996. This development placed the Czech Republic at the same level as Austria and other West European countries. During the same period, the ratio of the wage of a person with university education and that of one holding a secondary school diploma increased from 1.48 to 2.37. Also, OECD data confirm that economic returns to tertiary education have grown after 1989. The average earnings of a person with tertiary education in the Czech Republic is 1.8 times higher than the earnings of a secondary education graduate; the OECD average ratio is 1.63 (Hungary 1.84, USA 1.8, France 1.69, Germany 1.57, Norway 1.32).<sup>6</sup>

<sup>6</sup> Education at a Glance, 2001. OECD, Paris 2001. Here we must realise, however, that the growing proportion of people with university education reduces the average wage premium for a uni-

All the above-mentioned processes contribute to the extremely tough competition in entering into tertiary education, and making the transition between secondary and tertiary education is literally a nightmare for secondary school graduates and their families. The high level of competitiveness in the transition from secondary to tertiary education, along with the absence of professionally designed and nationally applied admission tests, leads to high, and still growing, social selectivity in tertiary education.<sup>7</sup>

An amendment to the Higher Education Act of 1998 was submitted to the Czech Parliament in the autumn of 2000 with the aim of solving the most acute structural and fiscal problems of tertiary education in the Czech Republic. Though it was extensively modified during the parliamentary debate, it was ultimately passed in April 2001. The amendment provides for the accomplishment of the transformation of universities to the two-tier system by the end of 2003, and allows universities to invest capital into private joint ventures and spin-off companies (restrictions were imposed only on assets and funds transferred to universities from the state). The amendment also introduced more stringent rules for students exceeding the standard length of study.<sup>8</sup> In view of continuing political opposition to the implementation of regular tuition fees, the authors of the amendment aimed at providing a legal framework for the dual-track system, which in fact some universities were already practising.<sup>9</sup> After the amendment took effect (July 1, 2001), students in the so-called life-long learning programmes, for which universities were already allowed to charge tuition fees, were allowed to take courses in accredited programmes and accumulate regular credits, which could be – under certain conditions – converted into a regular ‘diploma’. This amendment allowed universities to admit students above the quota set each year by the Ministry of Education and to charge them a discretionary tuition fee, which is very close to the amount the school would otherwise get as a state per-student subsidy. Although most of the rectors were lobbying against this provision, many universities very quickly began offering new ‘life-long learning programmes’, allowing them to admit students above the limit set by state funding and to improve their budgets. The tuition fees charged by universities for such programmes are close to the state subsidy per student in a given programme.<sup>10</sup>

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versity diploma. That is why educated people in countries undergoing transformation may be relatively better paid than those in more advanced countries. The premium for education in transition economies keeps growing, hand in hand with the growing pool of educated people.

<sup>7</sup> The results of analysis of class inequality in access to higher education carried out by Matějů, Řeháková and Simonová is presented in another article published in this issue.

<sup>8</sup> Those who exceed the standard length of study for more than a year are now charged a fee which is very close to the state annual subsidy per student in a given programme.

<sup>9</sup> The dual-track system in fact allows the existence of two categories of students at public universities: those whose costs of study are fully covered by the state and those who are admitted above the quota set by available public funds and are charged a tuition fee partly or fully covering the costs of their study.

<sup>10</sup> An interesting fact is that many rectors were also lobbying against the provisions aiming at a faster transition to the two-tier system (they claimed that it would undermine the autono-



The efforts to implement a more consistent reform of financing higher education culminated in the year 2002, when – after six months of public and political debate – a draft Bill of Financing Higher Education was presented to Parliament for debate and voting.<sup>11</sup> The principal goals were:

1. Open universities to a larger number of students and meet the growing demand for tertiary education.
2. Rationalise the demand for tertiary education (strengthen the economic aspects of decisions on what to study, how long to study and at which school to study).
3. Create a system of loans and financial assistance preventing new social and/or economic barriers to tertiary education when tuition fees are introduced. The new system should also eliminate existing barriers, i.e. improve conditions for students from low-income families.
4. Increase the use of private funding of university studies and help to eliminate the existing financial debt in this sector, which is one of the causes of the extremely limited capacities and the inadequately low wages of university lecturers.
5. Increase the economic incentives for universities to improve the quality of education and their awareness of the changing situation in the labour market and of the actual success of their graduates.

The draft provided for the introduction of tuition two years after the Act becomes effective (2003) and only for newly enrolled students. Universities were to be allowed to charge different fees within a specified range.<sup>12</sup> It was expected that for subjects not leading to high earnings (teachers, historians, social workers, etc.) the tuition fee would be set near the bottom of the range. On the other hand, lucrative subjects (such as law, economy, international trade etc.) would be closer to the higher end of the tuition fee range. This strategy was expected to make universities respect the ‘market price’ of a diploma in the labour market, while preventing them from overcharging students. The revenues from tuition fees would not lead to lower state subsidies, but would represent a bonus allowing universities to enlarge facilities to accommodate the growing numbers of students, to increase teachers’ salaries, and to start scholarship programmes.<sup>13</sup>

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my of universities), as well as against opening up space for investment in private companies, which in their view put many universities in the risk of economic bankruptcy.

<sup>11</sup> Alongside the author of this paper, other key contributors to this Bill, mentioned here with gratitude for their time and enthusiasm, were Kateřina Havlíčková, Radim Valenčík and Simona Weidnerová.

<sup>12</sup> The midpoint of the tuition-fee range was set as 25% of the average state subsidy of education costs per student. In the first year, the tuition fee would vary between 1.5 and 0.5 of the midpoint multiple, the second year the maximum could reach 1.75 of the midpoint multiple, from the third year it could reach double the midpoint, while the minimum level would remain the same.

<sup>13</sup> The Bill set out that a minimum of 10% of the collected tuition fees would have to be allocated to scholarship funds. The criteria for awarding a scholarship were to be set by the university management in co-operation with relevant student bodies. The main idea was that scholarships would go to the talented students coming from low-income families.

With regard to loans, the Bill provided for income contingent loans from authorised banks.<sup>14</sup> The repayment of the loans was proposed to begin once graduates reached the average national income announced every year by the Statistical Office. The size of instalments was set at 10% of taxable income. Should the person's income drop below the national average (illness, maternity, long-term unemployment etc.), repayment of the loan could be suspended.

It was also proposed that if a student were declined a loan by a bank (because, for example, the bank was not convinced that studying a particular programme at a particular school would enable the student to repay the loan), the student would be entitled to have the payment of the tuition fees deferred until his or her income after graduation reached the average national level. The deferred tuition fees would be burdened with an interest rate slightly higher than that applied to the loans provided by banks (the idea was that in order to increase the current budget of the universities, the students should be encouraged either to make up-front payments or get loans from banks). The loan interests were proposed to be tax deductible, both for individuals and/or future employers who would be allowed to assume the loans as business costs.

A very important part of the Bill dealt with allowances for students from low-income families. Three categories of allowances were proposed: *board*, *accommodation* and *transportation*. To keep transaction costs as low as possible, the eligibility criteria were proposed to be the same as the criteria already used to award child benefits. The Bill also attempted to introduce tax breaks for university students.<sup>15</sup>

The Bill of Financing Higher Education was not passed by Parliament owing to the strong resistance of left-wing political parties, who were joined in this battle by the Christian Democrats, as well as the majority of rectors of the Czech public universities. The main arguments (leaving aside ideological reasons) against the Bill were:

1. Tuition fees would increase the inequality in access to tertiary education. Loans and deferred tuition would not offer a solution for lower social strata, who, due to higher perceived risk of failure, show a stronger hesitance to borrow for education than the upper social strata.
2. Revenues from tuition fees would not contribute much to universities' budgets, while the risk of a reduction of the state subsidy would increase.
3. There are subject fields and study programmes with relatively low expected wage levels after graduation and for them tuition fees would bring a serious decline of interest (history, pedagogy etc.) or even the risk of being closed.

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<sup>14</sup> The upper limit for the market interest rates was set at a 2.3 multiple of the official discount rate.

<sup>15</sup> The income not exceeding the taxable income for students was proposed to be exempt from social and health insurance payments, independent of the type of contract between the student and the employer. This was intended to increase the readiness of companies to employ students.

Since no significant changes in the structure of the tertiary educational system, its financing, and in the admission procedures have been proposed as yet, one cannot expect marked changes in the processes shaping access to higher education in the Czech Republic as described above.

## Conclusions

There can be no doubts that Czech higher education has changed profoundly since 1989. The most important and rapid change occurred in its *autonomy*. Universities were granted almost full autonomy in as early as 1990 and the principle of their self-government has not been challenged since then. Universities used the newly acquired autonomy primarily for reforming curricula, expanding programmes in the humanities and social sciences, and – of course – for eliminating political criteria from admission policies for both faculty and students. Most of the schools also got rid of the old ‘nomenclature’, whose primary mission was to look after the ideological purity of university education before 1989.

The structural change was not as quick and profound as obtaining and mastering the freedom was. There were two really significant *structural* changes in the Czech tertiary educational system: *decentralisation*, which was made possible by establishing regional universities, and *diversification*, mostly due to the growth of private colleges, gradually filling the gap in the offer of bachelor’s degree programmes. Public universities themselves made no strong move towards the two-tier (binary) system of tertiary education. The real effects of the amendment to the Higher Education Act from 2001, which set a time-frame for this structural reform, will be known only next year, when all universities should conclude the re-accreditation of their programmes.

In spite of nearly full formal autonomy, universities have remained dependent on the state to a high degree. Several attempts to expand multi-source financing by introducing cost-sharing features (tuition fees, loans, student allowances) have failed. The reliance on the public budget, which was coming under increasing pressure from other political priorities and the accumulated deficit, led to a severe financial crisis at public universities, which culminated, in the autumn of 2001, in strikes and protest meetings among faculty, staff and students. Even in this critical situation, the universities themselves played an active role in generating strong public resistance to the implementation of the cost-sharing principle.

Although the number of students rose by almost 60% between 1989 and 2001, the offer of educational opportunities was too low to meet the steeply rising demand for tertiary education. The chance of being admitted did not change; it remained at about 50%, and it started to grow only after 2001, mostly owing to the combined effect of a drop in the size of the relevant age cohort and the growing proportion of students admitted to short bachelor’s programmes. Given the rapid growth in the number of secondary school graduates and the steady accumulation of unsatisfied demand, the transition from secondary to tertiary education is still the most critical moment in an educational career.

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